DISCOUNT AND ADVANCE RATES -- Requests by twelve Reserve Banks to maintain the existing primary credit rate; requests to renew the secondary and seasonal credit formulas.

Existing rate and formulas approved.
January 19, 2021.

Today, Board members discussed economic and financial developments and issues related to possible policy actions. In connection with this discussion, Board members considered discounts and advances under the primary credit program (the primary credit rate) and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the joint meeting of the Board and the Federal Open Market Committee (FOMC) next week.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Philadelphia, Richmond, Atlanta, and Dallas had voted on January 7, 2021, and the directors of the Federal Reserve Banks of Boston, New York, Cleveland, Chicago, St. Louis, Minneapolis, Kansas City, and San Francisco had voted on January 14, to establish the primary credit rate at the existing level of 0.25 percent.

Federal Reserve Bank directors reported that the pandemic continues to weigh on economic conditions, and some directors noted that the economic recovery has moderated recently. Many directors noted significant stress in high-contact, customer-facing businesses and industries, including restaurants, live entertainment, hospitality, and travel, with the notable exception of businesses catering to outdoor activities. Several directors remarked on continued high demand for residential real estate and mortgages and on sustained strong activity in the manufacturing and construction sectors. Retail spending was mixed, depending on sector and District. Some directors noted an increase in wage pressures and difficulty finding and retaining workers of all skill levels. Overall, directors remained generally positive about the outlook, particularly for the second half of 2021 when vaccine distribution is expected to be more widespread, but they also expressed ongoing uncertainty about the course of the pandemic and vaccine developments.

The directors of all twelve Federal Reserve Banks favored maintaining the current primary credit rate at the existing level (0.25 percent). In light of the uncertainties associated with the pandemic, the directors judged that it would be appropriate for the FOMC to maintain the current stance of policy to continue to support economic recovery and foster progress toward the FOMC's long-run goals of maximum employment and stable prices.

No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 0.25 percent. The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs for all twelve Reserve Banks. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for this action: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles, and
Governors Brainard, Bowman, and Waller.

Background: Office of the Secretary memorandum, January 15, 2021.

Implementation: Transmissions from Ms. Misback to the Reserve Banks, January 19, 2021.

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MONETARY POLICY IMPLEMENTATION -- Interest rate on required and excess reserve balances unchanged; rates on discounts and advances unchanged; renewal of secondary and seasonal credit formulas.

Approved.
January 27, 2021.

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In a joint meeting of the Federal Open Market Committee (FOMC) and the Board today, the FOMC decided to maintain the target range for the federal funds rate at 0 to 1/4 percent, effective January 28, 2021. Consistent with the FOMC's decision to leave the target range for the federal funds rate unchanged, the Board approved maintaining the interest rate (0.10 percent) paid on required and excess reserve balances, effective January 28, 2021. At today's meeting, the Board also approved the establishment of the interest rate on discounts and advances made under the primary credit program (the primary credit rate) at the existing level (0.25 percent).

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of Richmond had voted on January 20, 2021, and the directors of the Federal Reserve Banks of Philadelphia, Atlanta, and Dallas had voted on January 21, to establish the primary credit rate at the existing level of 0.25 percent.

No sentiment was expressed by the Board at today's meeting for changing the primary credit rate at this time, and the Board approved the establishment of the primary credit rate at the existing level of 0.25 percent. The Board's action today on the primary credit rate also included renewal of the existing formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs. As specified by the formula for the secondary credit rate, this rate would be set 50 basis points above the primary credit rate. As specified by the formula for the seasonal credit rate, this rate would be reset every two weeks as the average of the daily effective federal funds rate and the rate on three-month CDs over the previous 14 days, rounded to the nearest 5 basis points.

Voting for these actions: Chair Powell, Vice Chair Clarida,
Vice Chair for Supervision Quarles, and
Governors Brainard, Bowman, and Waller.

Background: Office of the Secretary memorandum, January 22, 2021.

Implementation: FOMC Statement (with attached Implementation Note) and transmissions from Ms. Misback to the Reserve Banks, January 27, 2021.